

**REPORT OF THE AUDIT OF THE
CARLISLE COUNTY
FISCAL COURT**

**For The Fiscal Year Ended
June 30, 2014**



**ADAM H. EDELEN
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EXECUTIVE SUMMARY
AUDIT EXAMINATION OF THE
CARLISLE COUNTY FISCAL COURT

June 30, 2014

The Auditor of Public Accounts has completed the audit of the Carlisle County Fiscal Court for fiscal year ended June 30, 2014.

We have issued an unmodified opinion, based on our audit, on the Statement of Receipts, Disbursements, and Changes in Fund Balances - Regulatory Basis of Carlisle County, Kentucky.

Financial Condition:

The Carlisle County Fiscal Court had total receipts of \$4,213,740 and disbursements of \$4,725,746 in fiscal year 2014. This resulted in a total ending fund balance of \$1,806,081, which is an increase of \$786,919 from the prior year.

Deposits:

The fiscal court deposits were insured and collateralized by bank securities.

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ADAM H. EDELEN
AUDITOR OF PUBLIC ACCOUNTS

To the People of Kentucky
Honorable Steven L. Beshear, Governor
Lori H. Flanery, Secretary
Finance and Administration Cabinet
Honorable Greg Terry, Carlisle County Judge/Executive
Members of the Carlisle County Fiscal Court

Independent Auditor's Report

Report on the Financial Statement

We have audited the accompanying Statement of Receipts, Disbursements, and Changes in Fund Balances - Regulatory Basis of Carlisle County, Kentucky, for the year ended June 30, 2014, and the related notes to the financial statement.

Management's Responsibility for the Financial Statement

Management is responsible for the preparation and fair presentation of this financial statement in accordance with accounting practices prescribed or permitted by the Department for Local Government to demonstrate compliance with the Commonwealth of Kentucky's regulatory basis of accounting and budget laws. Management is also responsible for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of a financial statement that is free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on this financial statement based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America, the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States and the Audit Guide for Fiscal Court Audits issued by the Auditor of Public Accounts, Commonwealth of Kentucky. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statement is free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statement. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statement, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statement in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statement. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.



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Basis for Adverse Opinion on U.S. Generally Accepted Accounting Principles

As described in more fully in Note 1, the financial statement is prepared by Carlisle County, Kentucky on the basis of the accounting practices prescribed or permitted by the Department for Local Government to demonstrate compliance with the Commonwealth of Kentucky's regulatory basis of accounting and budget laws, which is a basis of accounting other than accounting principles generally accepted in the United States of America.

The effects on the financial statement of the variances between the regulatory basis of accounting described in Note 1 and accounting principles generally accepted in the United States of America, although not reasonably determinable, are presumed to be material.

Adverse Opinion on U.S. Generally Accepted Accounting Principles

In our opinion, because of the significance of the matter discussed in the Basis for Adverse Opinion on U.S. Generally Accepted Accounting Principles paragraph, the financial statement referred to above does not present fairly, in accordance with accounting principles generally accepted in the United States of America, the financial position of Carlisle County, Kentucky as of June 30, 2014, or changes in financial position or cash flows thereof for the year then ended.

Opinion on Regulatory Basis of Accounting

In our opinion, the financial statement referred to above presents fairly, in all material respects, the fund balances of Carlisle County, Kentucky as of June 30, 2014, and its cash receipts and disbursements, for the year then ended, in accordance with the accounting practices prescribed or permitted by the Department for Local Government described in Note 1.

Other Matters

Our audit was conducted for the purpose of forming an opinion on the financial statement taken as a whole of Carlisle County, Kentucky. The budgetary comparison schedules and capital asset schedule are presented for purposes of additional analysis and are not a required part of the financial statement, however they are required to be presented in accordance with accounting practices prescribed or permitted by the Department for Local Government to demonstrate compliance with the Commonwealth of Kentucky's regulatory basis of accounting and budget laws. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statement. The budgetary comparison schedules, capital asset schedule have been subjected to the auditing procedures applied in the audit of the financial statement and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statement or to the financial statement itself, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the budgetary comparison schedules and capital asset schedule are fairly stated in all material respects in relation to the basic financial statement.

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Other Reporting Required by Government Auditing Standards

In accordance with Government Auditing Standards, we have also issued our report dated March 16, 2015 on our consideration of Carlisle County, Kentucky's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be considered in assessing the results of our audit.

Respectfully submitted,

A handwritten signature in black ink, appearing to read 'Adam H. Edelen', written in a cursive style.

Adam H. Edelen
Auditor of Public Accounts

March 16, 2015

CARLISLE COUNTY OFFICIALS

For The Year Ended June 30, 2014

Fiscal Court Members:

Greg Terry	County Judge/Executive
Burley Mathis	Magistrate
James Pearson	Magistrate
Lloyd Presson	Magistrate

Other Elected Officials:

Michael Hogancamp	County Attorney
Ronny Owens	Jailer
Michael Toon	County Clerk
Kevin Hoskins	Circuit Court Clerk
Steve Perry	Sheriff
Heather Ballard	Property Valuation Administrator
Steve Freeman	Coroner

Appointed Personnel:

Susan Bailey	County Treasurer
Brandi Webb	Finance Officer

CARLISLE COUNTY
STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES
IN FUND BALANCES - REGULATORY BASIS

For The Year Ended June 30, 2014

CARLISLE COUNTY
STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES
IN FUND BALANCES - REGULATORY BASIS

For The Year Ended June 30, 2014

	Budgeted Funds		
	General Fund	Road Fund	Jail Fund
RECEIPTS			
Taxes	\$ 462,848	\$	\$
In Lieu Tax Payments	32,520		
Excess Fees	24,213		
Licenses and Permits	15,334	10	
Intergovernmental	402,584	1,473,627	101,626
Charges for Services			
Miscellaneous	16,136	52,252	8,332
Interest	6	1,599	476
Total Receipts	<u>953,641</u>	<u>1,527,488</u>	<u>110,434</u>
DISBURSEMENTS			
General Government	717,608		
Protection to Persons and Property	1,098		77,340
General Health and Sanitation		10,162	
Social Services			
Recreation and Culture	26,538		
Roads		1,261,022	
Debt Service	2,837		
Capital Projects			
Administration	234,052	143,650	10,573
Total Disbursements	<u>982,133</u>	<u>1,414,834</u>	<u>87,913</u>
Excess (Deficiency) of Receipts Over Disbursements Before Other Adjustments to Cash (Uses)	<u>(28,492)</u>	<u>112,654</u>	<u>22,521</u>
Other Adjustments to Cash (Uses)			
Borrowed Money	24,856		
Bond Proceeds			
Bond Discount			
Underwriter's Discount			
Cost of Debt Issuance			
Transfers From Other Funds	214,000	45,000	2,600
Transfers To Other Funds	(148,231)	(241,000)	(13,500)
Total Other Adjustments to Cash (Uses)	<u>90,625</u>	<u>(196,000)</u>	<u>(10,900)</u>
Net Change in Fund Balance	62,133	(83,346)	11,621
Fund Balance - Beginning (Restated)	5,186	141,078	35,212
Fund Balance - Ending	<u>\$ 67,319</u>	<u>\$ 57,732</u>	<u>\$ 46,833</u>
Composition of Fund Balance			
Bank Balance	\$ 11,894	\$ 12,232	\$ 2,988
Plus: Deposits In Transit			
Less: Outstanding Checks	(5,075)		(2,289)
Certificate of Deposits	60,500	45,500	46,134
Ending Fund Balance	<u>\$ 67,319</u>	<u>\$ 57,732</u>	<u>\$ 46,833</u>

The accompanying notes are an integral part of the financial statement.

CARLISLE COUNTY
STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES
IN FUND BALANCES - REGULATORY BASIS
For The Year Ended June 30, 2014
(Continued)

Budgeted Funds					
Local Government Economic Assistance Fund	Disater Emergency Service Fund	Ambulance Fund	Community Development Block Grant Fund	911 Fund	Homeland Security Fund
\$	\$	\$ 182,120	\$	\$ 157,669	\$
		2,490			
33	11,384	10,000	159,400		1,500
		294,613		20	
		14,385		4,319	
		1,351			
33	11,384	504,959	159,400	162,008	1,500
	32,163	492,724		206,567	25,253
3,570			12,000		
		594,565			
	7,441	26,682		57,064	
3,570	39,604	1,113,971	12,000	263,631	25,253
(3,537)	(28,220)	(609,012)	147,400	(101,623)	(23,753)
		1,345,000			
		(17,956)			
		(20,700)			
		(32,275)			
2,485	32,050	194,400		104,700	25,253
		(66,857)	(149,400)		(1,500)
2,485	32,050	1,401,612	(149,400)	104,700	23,753
(1,052)	3,830	792,600	(2,000)	3,077	
1,063	48	292,524	2,000	30	
\$ 11	\$ 3,878	\$ 1,085,124	\$ 0	\$ 3,107	\$ 0
\$ 11	\$ 3,903	\$ 837,167	\$	\$ 3,107	\$
		1,890			
	(25)	(122,759)			
		368,826			
\$ 11	\$ 3,878	\$ 1,085,124	\$ 0	\$ 3,107	\$ 0

The accompanying notes are an integral part of the financial statement.

CARLISLE COUNTY
STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES
IN FUND BALANCES - REGULATORY BASIS
For The Year Ended June 30, 2014
(Continued)

	<u>Unbudgeted Fund</u>	
	Public	
	Properties	
	Corporation	Total
	Fund	Funds
RECEIPTS		
Taxes	\$	\$ 802,637
In Lieu Tax Payments		32,520
Excess Fees		24,213
Licenses and Permits		17,834
Intergovernmental	782,837	2,942,991
Charges for Services		294,633
Miscellaneous		95,424
Interest	56	3,488
Total Receipts	<u>782,893</u>	<u>4,213,740</u>
DISBURSEMENTS		
General Government		717,608
Protection to Persons and Property		835,145
General Health and Sanitation		13,732
Social Services		12,000
Recreation and Culture		26,538
Roads		1,261,022
Debt Service	782,837	785,674
Capital Projects		594,565
Administration		479,462
Total Disbursements	<u>782,837</u>	<u>4,725,746</u>
Excess (Deficiency) of Receipts Over		
Disbursements Before Other		
Adjustments to Cash (Uses)	<u>56</u>	<u>(512,006)</u>
Other Adjustments to Cash (Uses)		
Borrowed Money		24,856
Bond Proceeds		1,345,000
Bond Premium/(Discount)		(17,956)
Underwriter's Discount		(20,700)
Cost of Debt Issuance		(32,275)
Transfers From Other Funds		620,488
Transfers To Other Funds		(620,488)
Total Other Adjustments to Cash (Uses)		<u>1,298,925</u>
Net Change in Fund Balance	56	786,919
Fund Balance - Beginning	<u>542,021</u>	<u>1,019,162</u>
Fund Balance - Ending	<u>\$ 542,077</u>	<u>\$ 1,806,081</u>
Composition of Fund Balance		
Bank Balance	\$ 542,077	\$ 1,413,379
Deposits In Transit		1,890
Less Outstanding Checks		(130,148)
Certificate of Deposits		<u>520,960</u>
Ending Fund Balance	<u>\$ 542,077</u>	<u>\$ 1,806,081</u>

The accompanying notes are an integral part of the financial statement.

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TO THE FINANCIAL STATEMENT**

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CARLISLE COUNTY
NOTES TO FINANCIAL STATEMENT

June 30, 2014

Note 1. Summary of Significant Accounting Policies

A. Reporting Entity

The financial statement of Carlisle County includes all budgeted and unbudgeted funds under the control of the Carlisle County Fiscal Court. Budgeted funds included within the reporting entity are those funds presented in the county's approved annual budget and reported on the quarterly reports submitted to the Department for Local Government. Unbudgeted funds may include non-fiduciary financial activities that are within the county's control. Unbudgeted funds may also include any corporation to act as the fiscal court in the acquisition and financing of any public project which may be undertaken by the fiscal court pursuant to the provisions of Kentucky law and thus accomplish a public purpose of the fiscal court. The unbudgeted funds are not presented in the annual approved budget or in the quarterly reports submitted to the Department for Local Government.

The following entities: Carlisle County Industrial Development Authority would have been included in the reporting entity under accounting principles generally accepted in the United States of America (GAAP) as established by the Government Accounting Standards Board. However under the regulatory basis it is no longer a required component unit of the reporting entity.

B. Basis of Accounting

The financial statement is presented on a regulatory basis of accounting, which is a basis of accounting other than accounting principles generally accepted in the United States of America (GAAP) as established by the Government Accounting Standards Board. This basis of accounting involves the reporting of fund balances and the changes therein resulting from cash inflows (cash receipts) and cash outflows (cash disbursements) to meet the financial reporting requirements of the Department for Local Government and the laws of the Commonwealth of Kentucky.

This regulatory basis of accounting differs from GAAP primarily because the financial statement format does not include the GAAP presentations of government-wide and fund financial statements, cash receipts are recognized when received in cash rather than when earned and susceptible to accrual, and cash disbursements are recognized when paid rather than when incurred or subject to accrual.

Generally and except as otherwise provided by law, property taxes are assessed as of January 1, levied (mailed) November 1, due at discount November 30, due at face value December 31, delinquent January 1 following the assessment, and subject to sale ninety days following April 15.

C. Basis of Presentation

Budgeted Funds

The fiscal court reports the following budgeted funds:

General Fund - This is the primary operating fund of the fiscal court. It accounts for all financial resources of the general government, except where the Department for Local Government requires a separate fund or where management requires that a separate fund be used for some function.

CARLISLE COUNTY
NOTES TO FINANCIAL STATEMENT
June 30, 2014
(Continued)

Note 1. Summary of Significant Accounting Policies (Continued)

C. Basis of Presentation (Continued)

Road Fund - This fund is for road and bridge construction and repair. The primary source of receipts for this fund is state payments for truck licenses distribution, municipal road aid, and transportation grants. The Department for Local Government requires the fiscal court to maintain these receipts and disbursements separately from the General Fund.

Jail Fund - The primary purpose of this fund is to account for the jail expenses of the county. The primary sources of receipts for this fund are reimbursements from the state and federal government, payments from other counties for housing prisoners, and transfers from the General Fund. The Department for Local Government requires the fiscal court to maintain these receipts and disbursements separately from the General Fund.

Local Government Economic Assistance Fund - The primary purpose of this fund is to account for grants and related disbursements. The primary sources of receipts for this fund are grants from the state and federal governments.

Disaster Emergency Services Fund - The primary purpose of this fund is to account for expenses related to disasters and emergency events. The primary sources of receipts for this fund are grants from the state and federal governments.

Ambulance Fund - The primary purpose of this fund is to account for the operation of the ambulance services provided by the county.

Community Development Block Grant Fund - The primary purpose of this fund is to account for grant funds received under the Community Development Block Grant program.

911 Fund - The primary purpose of this fund is to account for some emergency equipment expenses of the county. The primary source of receipts for this fund is 911 surcharges.

Homeland Security - The primary purpose of this fund is to account for services and equipment in the event of a disaster situation. The primary source of receipts for this fund is federal and state grants.

Unbudgeted Funds

The fiscal court reports the following unbudgeted funds:

Public Properties Corporation Fund - The primary purpose of this fund is to account for the proceeds and debt service of revenue bonds that were issued to fund construction of public buildings.

CARLISLE COUNTY
NOTES TO FINANCIAL STATEMENT
June 30, 2014
(Continued)

Note 1. Summary of Significant Accounting Policies (Continued)

D. Budgetary Information

Annual budgets are adopted on a regulatory basis of accounting, which is a basis of accounting other than accounting principles generally accepted in the United States of America (GAAP) as established by the Government Accounting Standards Board and according to the laws of Kentucky as required by the State Local Finance Officer.

The County Judge/Executive is required to submit estimated receipts and proposed disbursement to the fiscal court by May 1 of each year. The budget is prepared by fund, function, and activity and is required to be adopted by the fiscal court by July 1.

The fiscal court may change the original budget by transferring appropriations at the activity level; however, the fiscal court may not increase the total budget without approval by the State Local Finance Officer. Disbursements may not exceed budgeted appropriations at the activity level.

The State Local Finance Officer does not require the Public Properties Corporation Fund or the Ambulance Construction Bond Fund to be budgeted. Bond indentures and other relevant contractual provisions require specific payments to and from these funds annually.

E. Carlisle County Elected Officials

Kentucky law provides for election of the officials below from the geographic area constituting Carlisle County. Pursuant to state statute, these officials perform various services for the Commonwealth of Kentucky, its judicial courts, the fiscal court, various cities and special districts within the county, and the board of education. In exercising these responsibilities, however, they are required to comply with state laws. Audits of their financial statements are issued separately and individually and can be obtained from their respective administrative offices. These financial statements are not required to be included in the financial statement of Carlisle County, Kentucky.

- Circuit Court Clerk
- County Attorney
- Property Valuation Administrator
- County Clerk
- County Sheriff

F. Deposits and Investments

The government's fund balance is considered to be cash on hand, demand deposits, certificates of deposit, and short-term investments with original maturities of three months or less from the date of acquisition. The government's fund balance includes cash and cash equivalents and investments.

KRS 66.480 authorizes the county to invest in the following, including but not limited to, obligations of the United States and of its agencies and instrumentalities, obligations and contracts for future delivery or purchase of obligations backed by the full faith and credit of the United States, obligations of any corporation of the United States government, bonds or certificates of indebtedness of this state, and certificates of deposit issued by or other interest-bearing accounts of any bank or savings and loan institution which are insured by the Federal Deposit Insurance Corporation (FDIC) or which are collateralized, to the extent uninsured, by any obligation permitted by KRS 41.240(4).

CARLISLE COUNTY
NOTES TO FINANCIAL STATEMENT
June 30, 2014
(Continued)

Note 1. Summary of Significant Accounting Policies (Continued)

G. Long-term Obligations

The fund financial statement recognizes bond interest, as well as bond issuance costs when received or when paid, during the current period. The principal amount of the debt and interest are reported as disbursements. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as disbursements. Debt proceeds are reported as other adjustments to cash.

Note 2. Deposits

The fiscal court maintained deposits of public funds with depository institutions insured by the Federal Deposit Insurance Corporation (FDIC) as required by KRS 66.480(1)(d). According to KRS 41.240(4), the depository institution should pledge or provide sufficient collateral which, together with FDIC insurance, equals or exceeds the amount of public funds on deposit at all times. In order to be valid against the FDIC in the event of failure or insolvency of the depository institution, this pledge or provision of collateral should be evidenced by an agreement between the county and the depository institution, signed by both parties, that is (a) in writing, (b) approved by the board of directors of the depository institution or its loan committee, which approval must be reflected in the minutes of the board or committee, and (c) an official record of the depository institution. These requirements were met.

Custodial Credit Risk - Deposits

Custodial credit risk is the risk that in the event of a depository institution failure, the government's deposits may not be returned. The government does not have a deposit policy for custodial credit risk, but rather follows the requirements of KRS 41.240(4). As of June 30, 2014, all deposits were covered by FDIC insurance or a properly executed collateral security agreement.

Note 3. Transfers

The table below shows the interfund operating transfers for fiscal year 2014.

	General Fund	Road Fund	Jail Fund	Ambulance Fund	Community Development Block Grant Fund	Homeland Security Fund	Total Transfers In
General Fund	\$	\$ 196,000	\$ 13,500	\$ 3,000	\$	\$ 1,500	\$ 214,000
Road Fund				45,000			45,000
Jail Fund	2,600						2,600
LGEA Fund	2,485						2,485
DES Fund	32,050						32,050
Ambulance Fund		45,000			149,400		194,400
911 Fund	104,700						104,700
Homeland Security Fund	6,396			18,857			25,253
Total Transfers Out	\$ 148,231	\$ 241,000	\$ 13,500	\$ 66,857	\$ 149,400	\$ 1,500	\$ 620,488

Reason for transfers:

To move resources from and to the General Fund and other funds, for budgetary purposes, to the funds that will expend them.

CARLISLE COUNTY
NOTES TO FINANCIAL STATEMENT
June 30, 2014
(Continued)

Note 4. Long-term Debt

A. First Mortgage Revenue Bonds, Series 2009 (Courthouse Project)

The Carlisle County Public Properties Corporation issued First Mortgage Revenue Bonds Series 2009 dated September 1, 2009 for \$10,770,000 to be used for the construction of the Carlisle County Courthouse. Interest is payable semi-annually for twenty years and varies from 1.0 percent to 4.0 percent. The Carlisle County Public Properties Corporation has leased the building to the Commonwealth of Kentucky, Administrative Office of the Courts (AOC), and AOC is providing the debt service payments as prescribed in the aforementioned lease. As of June 30, 2014 Carlisle County is in compliance with the bond agreement. The principal balance as of June 30, 2014 was \$8,970,000. Future principal and interest requirements are as follows:

Fiscal Year Ended June 30	Principal	Interest
2015	\$ 470,000	\$ 312,833
2016	485,000	300,880
2017	495,000	286,907
2018	515,000	271,758
2019	530,000	256,083
2020-2024	2,930,000	992,856
2025-2029	3,545,000	371,172
Totals	<u>\$ 8,970,000</u>	<u>\$ 2,792,489</u>

B. Kentucky Association of Counties Financing Corporation Revenue Bonds, Series 2013D

The Carlisle County Fiscal Court entered into a financing agreement on December 13, 2013 with Kentucky Association of Counties Leasing Trust (KAColt) for the purpose of construction of the Carlisle County Extension office and Emergency Ambulance Service Building. Interest is paid semi-annually for thirty years with an assumed interest rate of 3 percent to 4.5 percent. Carlisle County has subleased half of the building to the Carlisle County Extension Office, and the Extension Office is providing the fifty percent of the debt service payments as prescribed in the aforementioned lease.

CARLISLE COUNTY
NOTES TO FINANCIAL STATEMENT
June 30, 2014
(Continued)

Note 4. Long-term Debt (Continued)

B. Kentucky Association of Counties Financing Corporation Revenue Bonds, Series 2013D
(Continued)

The principal balance as of June 30, 2014 was \$1,345,000. Future principal and interest requirements are as follows:

<u>Fiscal Year Ended</u> <u>June 30</u>	<u>Principal</u>	<u>Interest</u>
2015	\$ 25,000	\$ 31,657
2016	10,000	58,030
2017	25,000	57,705
2018	30,000	56,893
2019	30,000	55,917
2020-2024	160,000	264,800
2025-2029	185,000	233,410
2030-2034	230,000	189,363
2035-2039	290,000	130,013
2040-2044	360,000	54,962
Totals	<u>\$ 1,345,000</u>	<u>\$ 1,132,750</u>

C. Kentucky Association of Counties Leasing Trust (KAColt)

The Carlisle County Fiscal Court entered into a financing agreement on February 26, 2014 with Kentucky Association of Counties Leasing Trust (KAColt) for the purpose of purchasing a vehicle for the Carlisle County Sheriff's office. Interest is paid monthly for thirty six months with an assumed interest rate of 3.5 percent. As of June 30, 2014 Carlisle County is in compliance with the lease agreement. The principal balance as of June 30, 2014 was \$22,283. Future principal and interest requirements are as follows:

<u>Fiscal Year Ended</u> <u>June 30</u>	<u>Principal</u>	<u>Interest</u>
2015	\$ 7,856	\$ 655
2016	8,136	375
2017	6,291	92
Totals	<u>\$ 22,283</u>	<u>\$ 1,122</u>

CARLISLE COUNTY
NOTES TO FINANCIAL STATEMENT
June 30, 2014
(Continued)

Note 4. Long-term Debt (Continued)

D. Changes In Long-term Debt

Long-term Debt activity for the year ended June 30, 2014, was as follows:

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Revenue Bonds	\$ 9,430,000	\$ 1,345,000	\$ 460,000	10,315,000	\$ 495,000
Financing Obligations		24,856	2,573	22,283	7,856
Long- term Liabilities	<u>\$ 9,430,000</u>	<u>\$ 1,369,856</u>	<u>\$ 462,573</u>	<u>\$10,337,283</u>	<u>\$ 502,856</u>

Note 5. Employee Retirement System

The fiscal court has elected to participate in the County Employees Retirement System (CERS), pursuant to KRS 78.530 administered by the Board of Trustees of the Kentucky Retirement Systems. This is a cost sharing, multiple employer defined benefit pension plan, which covers all eligible full-time employees and provides for retirement, disability and death benefits to plan members. Benefit contributions and provisions are established by statute.

Nonhazardous covered employees are required to contribute 5 percent of their salary to the plan. Nonhazardous covered employees who begin participation on or after September 1, 2008 are required to contribute 6 percent of their salary to the plan. The county's contribution rate for nonhazardous employees was 18.89 percent.

The county's contribution for FY 2012 was \$183,284, FY 2013 was \$201,471, and FY 2014 was \$209,487.

Benefits fully vest on reaching five years of service for nonhazardous employees. Aspects of benefits for nonhazardous employees include retirement after 27 years of service or age 65. Nonhazardous employees who begin participation on or after September 1, 2008 must meet the rule of 87 (members age plus years of service credit must equal 87, and the member must be a minimum of 57 years of age) or the member is age 65, with a minimum of 60 months service credit.

CERS also provides post retirement health care coverage as follows:

For members participating prior to July 1, 2003, years of service and respective percentages of the maximum contribution are as follows:

Years of Service	% paid by Insurance Fund	% Paid by Member through Payroll Deduction
20 or more	100%	0%
15-19	75%	25%
10-14	50%	50%
4-9	25%	75%
Less than 4	0%	100%

CARLISLE COUNTY
NOTES TO FINANCIAL STATEMENT
June 30, 2014
(Continued)

Note 5. Employee Retirement System (Continued)

As a result of House Bill 290 (2004 General Assembly), medical insurance benefits are calculated differently for members who began participation on or after July 1, 2003. Once members reach a minimum vesting period of ten years, non-hazardous employees whose participation began on or after July 1, 2003, earn ten dollars per month for insurance benefits at retirement for every year of earned service without regard to a maximum dollar amount.

Historical trend information showing the CERS' progress in accumulating sufficient assets to pay benefits when due is presented in the Kentucky Retirement Systems' annual financial report. This report may be obtained by writing the Kentucky Retirement Systems, 1260 Louisville Road, Frankfort, KY 40601-6124, or by telephone at (502) 564-4646.

Note 6. Deferred Compensation

For the year ended June 30, 2014, the Carlisle County Fiscal Court voted to allow all eligible employees to participate in deferred compensation plans administered by The Kentucky Public Employees' Deferred Compensation Authority. The Kentucky Public Employees' Deferred Compensation Authority is authorized under KRS 18A.230 to 18A.275 to provide administration of tax sheltered supplemental retirement plans for all state, public school and university employees and employees of local political subdivisions that have elected to participate.

These deferred compensation plans permit all full time employees to defer a portion of their salary until future years. The deferred compensation is not available to employees until termination, retirement, death, or unforeseeable emergency. Participation by eligible employees in the deferred compensation plans is voluntary.

Historical trend information showing The Kentucky Public Employees' Deferred Compensation Authority's progress in accumulating sufficient assets to pay benefits when due is presented in The Kentucky Public Employees' Deferred Compensation Authority's annual financial report. This report may be obtained by writing Kentucky Public Employees' Deferred Compensation Authority at 101 Sea Hero Road, Suite 110, Frankfort, KY 40601-8862, or by telephone at (502) 573-7925.

Note 7. Insurance

For the fiscal year ended June 30, 2014, Carlisle County was a member of the Kentucky Association of Counties' All Lines Fund (KALF). KALF is a self-insurance fund and was organized to obtain lower cost coverage for general liability, property damage, public officials' errors and omissions, public liability, and other damages. The basic nature of a self-insurance program is that of a collectively shared risk by its members. If losses incurred for covered claims exceed the resources contributed by the members, the members are responsible for payment of the excess losses.

CARLISLE COUNTY
NOTES TO FINANCIAL STATEMENT
June 30, 2014
(Continued)

Note 8. Health Reimbursement Account

The Carlisle County Fiscal Court established a flexible spending account on May 1, 2012 to provide employees an additional health benefit. The County has contracted with Febco. Inc., a third-party administrator, to administer the plan. The plan provides a debit card to each eligible employee providing \$1,500 each year to pay for qualified medical expenses.

Note 9. Prior Period Adjustments

The following adjustments were made to prior year ending balances:

	Ending Cash Balance June 30, 2013	Adjustments	Restated Cash Balance June 30, 2013
Budgeted Funds:			
General Fund	\$ 3,795	\$ 1,391	\$ 5,186
Road Fund	141,078		141,078
Jail Fund	35,212		35,212
LGEA Fund	1,062	1	1,063
DES Fund	47	1	48
Ambulance Fund	291,524	1,000	292,524
CDBG Fund	2,000		2,000
911 Fund	30		30
Homeland Security Fund			
Expense Fund	2,384	(2,384)	
Unbudgeted Funds:			
Industrial Development Fund	244,655	(244,655)	
Public Properties Corporation Fund	542,021		542,021
Total Cash Balance	<u>\$ 1,263,808</u>	<u>\$ (244,646)</u>	<u>\$ 1,019,162</u>

Adjustments to prior year ending balances are due to \$7 for prior year voided checks, the coroner's account of \$1,000 was being reported under the General Fund is now being reported under the Ambulance Fund, the expense account of \$2,384 being reported under the General Fund and the elimination of the Industrial Development Fund of \$244,655 from being report under the county's reporting entity.

CARLISLE COUNTY
BUDGRTARY COMPARISON SCHEDULES
Supplementary Information - Regulatory Basis

For The Year Ended June 30, 2014

CARLISLE COUNTY
BUDGETARY COMPARISON SCHEDULES
Supplementary Information - Regulatory Basis

For The Year Ended June 30, 2014

	GENERAL FUND			
	Budgeted Amounts		Actual	Variance with
	Original	Final	Amounts, (Budgetary Basis)	Final Budget Positive (Negative)
RECEIPTS				
Taxes	\$ 436,000	\$ 436,000	\$ 462,848	\$ 26,848
In Lieu Tax Payments	37,000	37,000	32,520	(4,480)
Excess Fees	30,000	35,435	24,213	(11,222)
Licenses and Permits	18,000	18,000	15,334	(2,666)
Intergovernmental	213,870	563,870	402,584	(161,286)
Miscellaneous	13,200	65,200	16,136	(49,064)
Interest	8,000	8,000	6	(7,994)
Total Receipts	756,070	1,163,505	953,641	(209,864)
DISBURSEMENTS				
General Government	758,754	848,402	717,608	130,794
Protection to Persons and Property	1,388	1,388	1,098	290
General Health and Sanitation	1,020	1,020		1,020
Social Services	763	763		763
Recreation and Culture	29,000	30,000	26,538	3,462
Debt Service		6,500	2,837	3,663
Administration	418,122	741,586	234,052	507,534
Total Disbursements	1,209,047	1,629,659	982,133	647,526
Excess (Deficiency) of Receipts Over Disbursements Before Other Adjustments to Cash (Uses)	(452,977)	(466,154)	(28,492)	437,662
Other Adjustments to Cash (Uses)				
Borrowed Money		24,866	24,856	(10)
Transfers From Other Funds	189,642	236,642	214,000	(22,642)
Transfers To Other Funds	(129,485)	(192,174)	(148,231)	43,943
Total Other Adjustments to Cash (Uses)	60,157	69,334	90,625	21,291
Net Change in Fund Balance	(392,820)	(396,820)	62,133	458,953
Fund Balance Beginning (Restated)	392,820	396,820	5,186	(391,634)
Fund Balance - Ending	\$ 0	\$ 0	\$ 67,319	\$ 67,319

CARLISLE COUNTY
BUDGETARY COMPARISON SCHEDULES
Supplementary Information - Regulatory Basis
For The Year Ended June 30, 2014
(Continued)

ROAD FUND				
	Budgeted Amounts		Actual Amounts, (Budgetary Basis)	Variance with Final Budget Positive (Negative)
	Original	Final		
RECEIPTS				
Licenses and Permits	\$ 100	\$ 100	\$ 10	\$ (90)
Intergovernmental	1,390,642	1,546,595	1,473,627	(72,968)
Miscellaneous	141,817	156,817	52,252	(104,565)
Interest	25,000	25,000	1,599	(23,401)
Total Receipts	1,557,559	1,728,512	1,527,488	(201,024)
DISBURSEMENTS				
General Health and Sanitation	20,000	20,000	10,162	9,838
Roads	1,243,131	1,438,923	1,261,022	177,901
Capital Projects	175,000	175,000		175,000
Administration	374,209	333,059	143,650	189,409
Total Disbursements	1,812,340	1,966,982	1,414,834	552,148
Excess (Deficiency) of Receipts Over Disbursements Before Other Adjustments to Cash (Uses)	(254,781)	(238,470)	112,654	351,124
Other Adjustments to Cash (Uses)				
Transfers From Other Funds		45,000	45,000	
Transfers To Other Funds	(189,642)	(250,953)	(241,000)	9,953
Total Other Adjustments to Cash (Uses)	(189,642)	(205,953)	(196,000)	9,953
Net Change in Fund Balance	(444,423)	(444,423)	(83,346)	361,077
Fund Balance Beginning	444,423	444,423	141,078	(303,345)
Fund Balance - Ending	\$ 0	\$ 0	\$ 57,732	\$ 57,732

CARLISLE COUNTY
BUDGETARY COMPARISON SCHEDULES
Supplementary Information - Regulatory Basis
For The Year Ended June 30, 2014
(Continued)

	JAIL FUND			
	Budgeted Amounts		Actual Amounts, (Budgetary Basis)	Variance with Final Budget Positive Positive (Negative)
	Original	Final		
RECEIPTS				
Intergovernmental	\$ 106,050	\$ 116,550	\$ 101,626	\$ (14,924)
Charges for Services	2,000	2,000		(2,000)
Miscellaneous		10,005	8,332	(1,673)
Interest	1,200	1,200	476	(724)
Total Receipts	109,250	129,755	110,434	(19,321)
DISBURSEMENTS				
Protection to Persons and Property	125,250	141,950	77,340	64,610
Administration	34,000	37,805	10,573	27,232
Total Disbursements	159,250	179,755	87,913	91,842
Excess (Deficiency) of Receipts Over Disbursements Before Other Adjustments to Cash (Uses)				
	(50,000)	(50,000)	22,521	72,521
Other Adjustments to Cash (Uses)				
Transfers From Other Funds	10,000	10,000	2,600	(7,400)
Transfers To Other Funds			(13,500)	(13,500)
Total Other Adjustments to Cash (Uses)	10,000	10,000	(10,900)	(20,900)
Net Change in Fund Balance	(40,000)	(40,000)	11,621	51,621
Fund Balance Beginning	40,000	40,000	35,212	(4,788)
Fund Balance - Ending	\$ 0	\$ 0	\$ 46,833	\$ 46,833

CARLISLE COUNTY
BUDGETARY COMPARISON SCHEDULES
Supplementary Information - Regulatory Basis
For The Year Ended June 30, 2014
(Continued)

LOCAL GOVERNMENT ECONOMIC ASSISTANCE FUND

	Budgeted Amounts		Actual Amounts, (Budgetary Basis)	Variance with Final Budget Positive (Negative)
	Original	Final		
RECEIPTS				
Intergovernmental	\$ 4,650	\$ 4,650	\$ 33	\$ (4,617)
Total Receipts	4,650	4,650	33	(4,617)
DISBURSEMENTS				
General Government	3,000	3,000		3,000
General Health and Sanitation	4,150	5,516	3,570	1,946
Recreation and Culture	197	197		197
Total Disbursements	7,347	8,713	3,570	5,143
Excess (Deficiency) of Receipts Over Disbursements Before Other Adjustments to Cash (Uses)	(2,697)	(4,063)	(3,537)	526
Other Adjustments to Cash (Uses)				
Transfers From Other Funds	2,000	3,000	2,485	(515)
Total Other Adjustments to Cash (Uses)	2,000	3,000	2,485	(515)
Net Change in Fund Balance	(697)	(1,063)	(1,052)	11
Fund Balance Beginning	697	1,063	1,063	
Fund Balance - Ending	\$ 0	\$ 0	\$ 11	\$ 11

CARLISLE COUNTY
BUDGETARY COMPARISON SCHEDULES
Supplementary Information - Regulatory Basis
For The Year Ended June 30, 2014
(Continued)

DISASTER EMERGENCY SERVICES FUND				
	Budgeted Amounts		Actual Amounts, (Budgetary Basis)	Variance with Final Budget Positive (Negative)
	Original	Final		
RECEIPTS				
Intergovernmental	\$ 16,246	\$ 16,246	\$ 11,384	\$ (4,862)
Miscellaneous	1,506	1,506		(1,506)
Total Receipts	17,752	17,752	11,384	(6,368)
DISBURSEMENTS				
Protection to Persons and Property	43,241	44,241	32,163	12,078
Administration	13,000	12,000	7,441	4,559
Total Disbursements	56,241	56,241	39,604	16,637
Excess (Deficiency) of Receipts Over Disbursements Before Other Adjustments to Cash (Uses)	(38,489)	(38,489)	(28,220)	10,269
Other Adjustments to Cash (Uses)				
Transfers From Other Funds	38,381	38,381	32,050	(6,331)
Total Other Adjustments to Cash (Uses)	38,381	38,381	32,050	(6,331)
Net Change in Fund Balance	(108)	(108)	3,830	3,938
Fund Balance Beginning (Restated)	108	108	48	(60)
Fund Balance - Ending	\$ 0	\$ 0	\$ 3,878	\$ 3,878

CARLISLE COUNTY
BUDGETARY COMPARISON SCHEDULES
Supplementary Information - Regulatory Basis
For The Year Ended June 30, 2014
(Continued)

AMBULANCE FUND				
	Budgeted Amounts		Actual	Variance with
	Original	Final	Amounts, (Budgetary Basis)	Final Budget Positive (Negative)
RECEIPTS				
Taxes	\$ 156,500	\$ 164,500	\$ 182,120	\$ 17,620
Licenses and Permits	2,000	2,700	2,490	(210)
Intergovernmental	12,000	12,000	10,000	(2,000)
Charges for Services	175,000	325,000	294,613	(30,387)
Miscellaneous	2,000	3,000	14,385	11,385
Interest	6,065	6,065	1,351	(4,714)
Total Receipts	353,565	513,265	504,959	(8,306)
DISBURSEMENTS				
Protection to Persons and Property	517,492	542,183	492,724	49,459
Capital Projects	35,000	594,565	594,565	
Administration	103,083	26,527	26,682	(155)
Total Disbursements	655,575	1,163,275	1,113,971	49,304
Excess (Deficiency) of Receipts Over Disbursements Before Other Adjustments to Cash (Uses)	(302,010)	(650,010)	(609,012)	40,998
Other Adjustments to Cash (Uses)				
Borrowed Money		350,000		(350,000)
Bond Proceeds			1,345,000	1,345,000
Bond Discount			(17,956)	(17,956)
Underwriter's Discount			(20,700)	(20,700)
Cost of Debt Issuance			(32,275)	(32,275)
Transfers From Other Funds		45,000	194,400	149,400
Transfers To Other Funds		(47,000)	(66,857)	(19,857)
Total Other Adjustments to Cash (Uses)		348,000	1,401,612	1,053,612
Net Change in Fund Balance	(302,010)	(302,010)	792,600	1,094,610
Fund Balance Beginning (Restated)	302,010	302,010	292,524	(9,486)
Fund Balance - Ending	\$ 0	\$ 0	\$ 1,085,124	\$ 1,085,124

CARLISLE COUNTY
BUDGETARY COMPARISON SCHEDULES
Supplementary Information - Regulatory Basis
For The Year Ended June 30, 2014
(Continued)

COMMUNITY DEVELOPMENT BLOCK GRANT FUND				
	Budgeted Amounts		Actual Amounts, (Budgetary Basis)	Variance with Final Budget Positive (Negative)
	Original	Final		
RECEIPTS				
Intergovernmental	\$ 500,000	\$ 500,000	\$ 159,400	\$ (340,600)
Total Receipts	500,000	500,000	159,400	(340,600)
DISBURSEMENTS				
Social Services	500,000	352,600	12,000	340,600
Total Disbursements	500,000	352,600	12,000	340,600
Excess (Deficiency) of Receipts Over Disbursements Before Other Adjustments to Cash (Uses)		147,400	147,400	
Other Adjustments to Cash (Uses)				
Transfers To Other Funds		(149,400)	(149,400)	
Total Other Adjustments to Cash (Uses)		(149,400)	(149,400)	
Net Change in Fund Balance		(2,000)	(2,000)	
Fund Balance Beginning		2,000	2,000	
Fund Balance - Ending	\$ 0	\$ 0	\$ 0	\$ 0

CARLISLE COUNTY
BUDGETARY COMPARISON SCHEDULES
Supplementary Information - Regulatory Basis
For The Year Ended June 30, 2014
(Continued)

911 FUND				
	Budgeted Amounts		Actual Amounts, (Budgetary Basis)	Variance with Final Budget Positive (Negative)
	Original	Final		
RECEIPTS				
Taxes	\$ 150,000	\$ 175,000	\$ 157,669	\$ (17,331)
Charges for Services	1,000	1,000	20	(980)
Miscellaneous	1,000	6,000	4,319	(1,681)
Interest	100	100		(100)
Total Receipts	152,100	182,100	162,008	(20,092)
DISBURSEMENTS				
Protection to Persons and Property	173,651	217,614	206,567	11,047
Administration	60,553	86,590	57,064	29,526
Total Disbursements	234,204	304,204	263,631	40,573
Excess (Deficiency) of Receipts Over Disbursements Before Other Adjustments to Cash (Uses)	(82,104)	(122,104)	(101,623)	20,481
Other Adjustments to Cash (Uses)				
Transfers From Other Funds	72,104	112,104	104,700	(7,404)
Total Other Adjustments to Cash (Uses)	72,104	112,104	104,700	(7,404)
Net Change in Fund Balance	(10,000)	(10,000)	3,077	13,077
Fund Balance Beginning	10,000	10,000	30	(9,970)
Fund Balance - Ending	\$ 0	\$ 0	\$ 3,107	\$ 3,107

CARLISLE COUNTY
BUDGETARY COMPARISON SCHEDULES
Supplementary Information - Regulatory Basis
For The Year Ended June 30, 2014
(Continued)

HOMELAND SECURITY FUND				
	Budgeted Amounts		Actual Amounts, (Budgetary Basis)	Variance with Final Budget Positive (Negative)
	Original	Final		
RECEIPTS				
Intergovernmental	\$ 2,790	\$ 22,790	\$ 1,500	\$ (21,290)
Total Receipts	2,790	22,790	1,500	(21,290)
DISBURSEMENTS				
Protection to Persons and Property	2,790	22,790	25,253	(2,463)
Total Disbursements	2,790	22,790	25,253	(2,463)
Excess (Deficiency) of Receipts Over Disbursements Before Other Adjustments to Cash (Uses)			(23,753)	(23,753)
Other Adjustments to Cash (Uses)				
Transfers From Other Funds		5,000	25,253	20,253
Transfers To Other Funds		(5,000)	(1,500)	3,500
Total Other Adjustments to Cash (Uses)			23,753	23,753
Net Change in Fund Balance				
Fund Balance Beginning				
Fund Balance - Ending	\$ 0	\$ 0	\$ 0	\$ 0

CARLISLE COUNTY
NOTES TO REGULATORY SUPPLEMENTARY
INFORMATION - BUDGETARY COMPARISON SCHEDULES

June 30, 2014

Note 1. Budgetary Information

Annual budgets are adopted on a cash basis of accounting which is a basis of accounting other than accounting principles generally accepted in the United States of America (GAAP) as established by the Government Accounting Standards Board and according to the laws of Kentucky as required by the State Local Finance Officer.

The County Judge/Executive is required to submit estimated receipts and proposed disbursements to the fiscal court by May 1 of each year. The budget is prepared by fund, function, and activity and is required to be adopted by the fiscal court by July 1.

The fiscal court may change the original budget by transferring appropriations at the activity level; however, the fiscal court may not increase the total budget without approval by the State Local Finance Officer. Disbursements may not exceed budgeted appropriations at the activity level.

Note 2. Excess of Disbursements Over Appropriations

Protection to Persons and Property disbursements in the Homeland Security Fund exceeded budgeted appropriations by \$2,463.

Administration disbursements in the Ambulance Fund exceeded budgeted appropriations by \$155.

CARLISLE COUNTY
SUPPLEMENTARY SCHEDULE
Supplementary Information - Regulatory Basis
For The Year Ended June 30, 2014

CARLISLE COUNTY
SCHEDULE OF CAPITAL ASSETS
Supplementary Information - Regulatory Basis

For The Year Ended June 30, 2014

The fiscal court reports the following schedule of capital assets:

	Beginning Balance (Restated)	Additions	Deletions	Ending Balance
Land and Land Improvements	\$ 438,698	\$	\$	\$ 438,698
Construction In Progress		594,565		594,565
Buildings	12,115,976			12,115,976
Vehicles and Equipment	2,452,697	60,998	14,308	2,499,387
Infrastructure	2,876,739	410,803		3,287,542
 Total Capital Assets	 \$ 17,884,110	 \$ 1,066,366	 \$ 14,308	 \$18,936,168

CARLISLE COUNTY
NOTES TO REGULATORY SUPPLEMENTARY
INFORMATION - SCHEDULE OF CAPITAL ASSETS

June 30, 2014

Note 1. Capital Assets

Capital assets, which include land, land improvements, buildings, furniture and office equipment, building improvements, machinery, equipment, and infrastructure assets (roads and bridges) that have a useful life of more than one reporting period based on the government's capitalization policy, are reported as other information. Such assets are recorded at historical cost or estimated historical cost when purchased or constructed.

	Capitalization Threshold	Useful Life (Years)
Land Improvements	\$ 20,000	10-60
Buildings and Building Improvements	\$ 20,000	10-75
Equipment	\$ 20,000	3-5
Vehicles	\$ 20,000	3-5
Infrastructure	\$ 20,000	10-50

Note 2. Prior Period Adjustment

The beginning capital asset balance was restated to remove assets of \$30,000 related to the Industrial Development Authority, which is no longer being reported as a component unit of the Carlisle County.

**REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND
ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL
STATEMENT PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS**



ADAM H. EDELEN
AUDITOR OF PUBLIC ACCOUNTS

The Honorable Greg Terry, Carlisle County Judge/Executive
Members of the Carlisle County Fiscal Court

**Report On Internal Control Over Financial Reporting And
On Compliance And Other Matters Based On An Audit Of Financial
Statement Performed In Accordance With Government Auditing Standards**

Independent Auditor's Report

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards issued by the Comptroller General of the United States, the Statement of Receipts, Disbursements, and Changes in Fund Balances - Regulatory Basis of the Carlisle County Fiscal Court for the fiscal year ended June 30, 2014 and the related notes to the financial statement and have issued our report thereon dated March 16, 2015. The Fiscal Court's financial statement is prepared on a regulatory basis of accounting, which demonstrates compliance with the laws of Kentucky and is a special purpose framework.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statement, we considered Carlisle County Fiscal Court's internal control over financial reporting to determine audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statement, but not for the purpose of expressing an opinion on the effectiveness of the Carlisle County Fiscal Court's internal control. Accordingly, we do not express an opinion on the effectiveness of Carlisle County Fiscal Court's internal control.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. *A material weakness* is a deficiency, or combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statement will not be prevented, or detected and corrected on a timely basis. *A significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.



Report On Internal Control Over Financial Reporting
And On Compliance And Other Matters Based On An Audit Of Financial
Statement Performed In Accordance With Government Auditing Standards
(Continued)

Compliance And Other Matters

As part of obtaining reasonable assurance about whether the Carlisle County Fiscal Court's financial statement is free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under Government Auditing Standards.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with Government Auditing Standards in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Respectfully submitted,



Adam H. Edelen
Auditor of Public Accounts

March 16, 2015

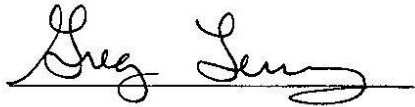
**CERTIFICATION OF COMPLIANCE -
LOCAL GOVERNMENT ECONOMIC ASSISTANCE PROGRAM**

**CARLISLE COUNTY FISCAL COURT
For The Fiscal Year Ended
June 30, 2014**

CERTIFICATION OF COMPLIANCE
LOCAL GOVERNMENT ECONOMIC ASSISTANCE PROGRAM

CARLISLE COUNTY FISCAL COURT
For The Fiscal Year Ended June 30, 2014

The Carlisle County Fiscal Court hereby certifies that assistance received from the Local Government Economic Assistance Program was expended for the purpose intended as dictated by the applicable Kentucky Revised Statutes.

A handwritten signature in cursive script, appearing to read "Greg Lenz", written over a horizontal line.

County Judge/Executive

A handwritten signature in cursive script, appearing to read "Susan Bailey", written over a horizontal line.

County Treasurer

